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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
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COMMENT ON HUNGARIAN PARTY LEADER RAKOSI'S SPEECH OF 11 JULY

Hungarian party leader Rakosi's speech to the Budapest party activists on 11 July defined the new governmental program to party members who had been confused by the sudden shift toward the more relaxed policy implied in Premier Nagy's address of 4 July. The speech was in substantial agreement with that of Nagy, but it spelled out the limits of the concessions to both the party and the general public, which in some cases had interpreted Nagy's statements too literally. Hungarian leaders probably hope to mitigate any increased bitterness which the speech may have caused through prompt implementation of promised concessions.

Rakosi admitted that it had been a mistake for the government rather than the party to announce the new program. He found it necessary to reassert his own leadership and to re-emphasize the party's commitment to eventual socialization. This emphasis accords with reports of confusion in the party's lower levels resulting from the suddenness of the personnel and policy changes announced between 30 June and 4 July. Moreover, the reappearance of former minister of defense Farkas, former minister of people's culture Revai and other men who had been omitted from the new politburo or cabinet doubtless was intended to quell speculation that they had been purged.

Rakosi's references to "internal enemies" who were supported by the "imperialist warmongers" and his characterization of Beria as an agent of international imperialism suggests that there will be continued propaganda emphasis on vigilance.

Future progress toward industrialization, Rakosi conceded, must take account of Hungary's limited supplies of raw materials. He stated that "the basic law of socialism" was raising the workers' standard of living, but he emphasized that the goal must be achieved by expanded production and must not include the relaxation of work norms. Here he differs from the leaders in East Germany and presumably the difference is accounted for by the relatively greater control still held by the Hungarian regime.

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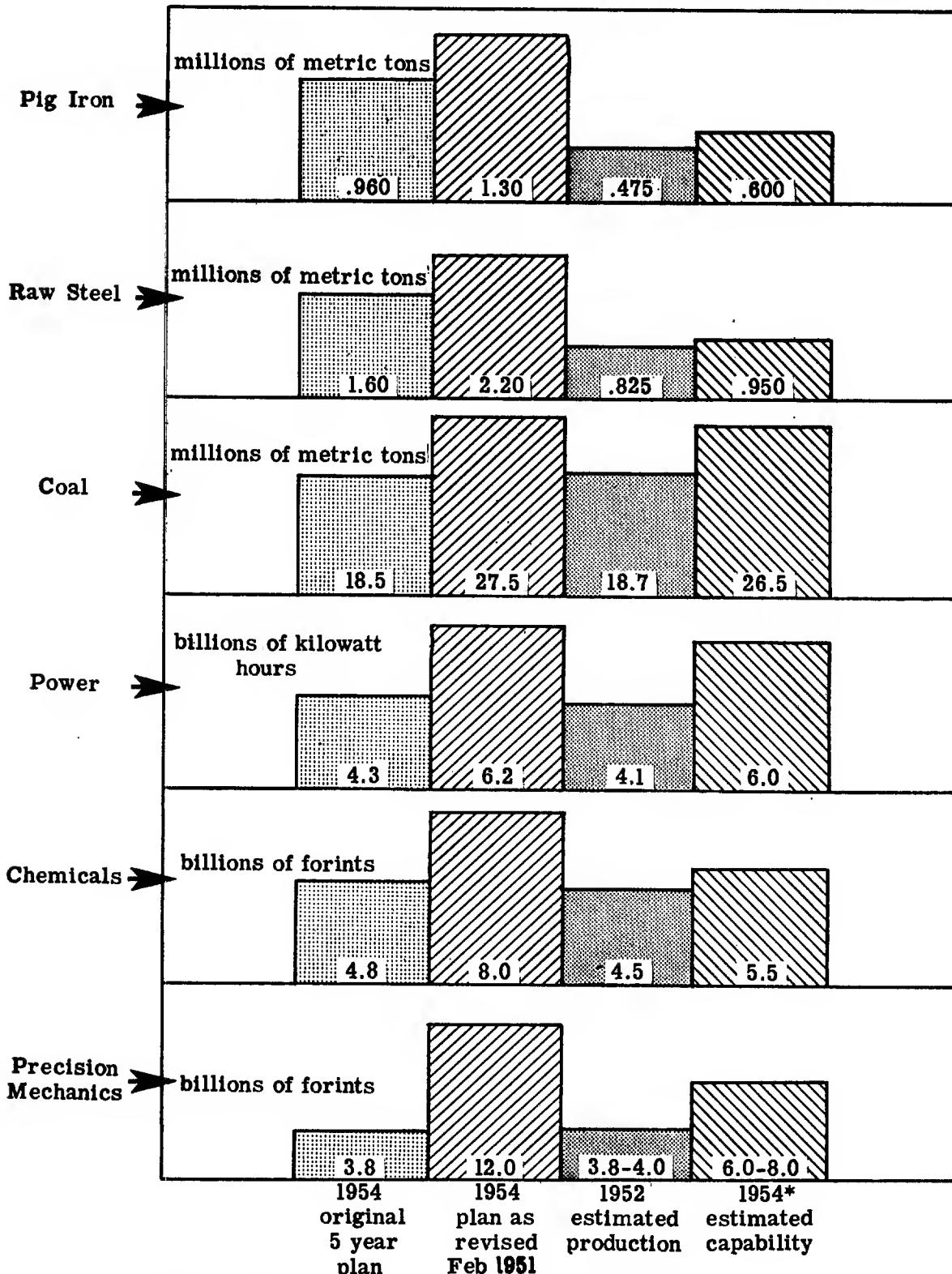
The increased output of consumer goods in Hungary is presumably to be reached by the allotment to consumer goods factories of investment funds and materials hitherto earmarked for the further expansion of heavy industry. Implementation of this policy would mark the first serious departure from the rapid expansion of heavy industry set in February 1951. At that time, total investment under the Five-Year Plan for heavy industry was doubled from \$2.1 billion to \$4.3 billion while investment in light industry was increased from \$350 billion to \$410 billion. Thus, heavy industry was to receive approximately 90 percent of the increased investment. The new policy presumably would return to some modification of the original plan, and therefore would represent a more realistic plan, as the attached graphs demonstrate.

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COMPARISON OF ORIGINAL AND REVISED PLAN TARGETS IN CERTAIN BASIC INDUSTRIES WITH ESTIMATED PERFORMANCE AND CAPABILITY



*assuming emphasis would continue as in past

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